

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 747 - HB 903

February 26, 2013

SUMMARY OF BILL: Authorizes beer manufacturers to operate as a restaurant or limited service restaurant for the purpose of on-premises consumption. Authorizes beer manufacturers, which operate as a restaurant or limited service restaurant, to sell beer for off-premises consumption.

ESTIMATED FISCAL IMPACT:

On February 25, 2013, a fiscal note was issued for this bill with a fiscal impact of:

Increase State Revenue - \$115,200

Increase Local Revenue - \$41,700

Based upon a modified assumption,

(CORRECTED)

Increase State Revenue – Net Impact - \$120,600

Increase Local Revenue - \$46,600

Assumptions:

- There are currently approximately 20 beer manufacturers in Tennessee.
- Manufacturers that sell beer at retail or to other retailers are required to remit the \$4.29 beer barrel tax directly to the state.
- There were approximately 30,300 barrels of beer sold by currently-licensed entities in 2012.
- A five percent increase in sales from these entities; thus, the increase in barrels sold is estimated to be 1,515 (30,300 x 5%).
- The recurring increase in state revenue attributable to the beer barrel tax is estimated to be \$6,499 (1,515 x \$4.29).
- The state sales tax rate is 7.0 percent and the average local option rate is 2.5 percent.
- The number of pints per barrel of beer is estimated to be 248.
- The total number of additional pints sold is estimated to be 375,720 (1,515 barrels x 248 pints).
- Average retail price per pint is estimated to be \$4.50.

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- The increase in taxable sales is estimated to be \$1,690,740 ($375,720 \times \4.50).
- The recurring increase in state sales tax revenue is estimated to be \$118,351 ($\$1,690,740 \times 7.0\%$)
- The recurring increase in local option tax revenue is estimated to be \$42,269 ($\$1,690,740 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent [$(5.5\% / 7.0\%) \times 4.603\%$].
- The portion of state sales tax collected that would be distributed to local governments as state-shared sales tax revenue is \$4,281 ($\$118,351 \times 3.617$ percent).
- The net increase in recurring state revenue is estimated to be \$120,569 [$\$6,499 + (\$118,351 - \$4,281)$].
- The total increase in recurring local government revenue is estimated to be \$46,550 ($\$42,269 + \$4,281$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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